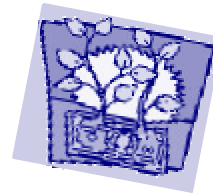


## Defined Contribution Retirement Plan

Defined **contribution** retirement plans specify how much is **contributed to** the plan. The benefit amount depends on the size of the participant's individual account balance at retirement. The account balance, in turn, depends on employer and participant contributions and investment earnings. Investment earnings can be either positive or negative during any period of time. Defined **contribution** retirement plan participants assume the investment risk, but are also entitled to all investment returns.

Your account will grow over time depending on the following:

- Contributions
- Earnings (either positive or negative)
- Length of time invested



### Contributions

Both you and your employer will make regular contributions to your individual account.

#### Employee Contributions

You contribute 6.9% of your compensation to your individual account. Your 6.9% contribution is calculated on your gross compensation, before any pre-tax deductions. Your contributions are made on a pre-tax basis and grow tax deferred until you withdraw funds. At that time, you pay taxes on the amount you withdraw.

#### Employer Contributions

Your employer will contribute 4.19% of your compensation to your individual account.

Your employer also contributes the following to the PERS for a total of 6.9%:

**Plan Choice Rate — 2.37%**

The percent allocated to the Defined **Benefit** Retirement Plan for members who choose the Defined **Contribution** Retirement Plan. Required by statute, the rate is actuarially determined to maintain the financial stability of the Defined **Benefit** Retirement Plan.

**Education Fund — 0.04%**

The percent established by statute to fund various PERS member education programs.

**Disability Benefit Rate — 0.30%**

The percent established by statute to fund the expected cost of long-term disability benefits.

Because all three of the above expenses are based on estimates, they may change over time.

Total contributions to your individual account will be 11.09%.

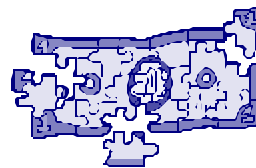
- **6.90% Employee**
- **4.19% Employer**

## Your Individual Account Components

You will have an individual account consisting of three components or “sub-accounts”.

### Employee Contribution Component

Your contributions are credited to the “employee contribution” component of your individual account. All of your contributions and earnings are immediately 100% vested.



**Vested** means that you have a right to those funds when you terminate PERS covered employment. You will never forfeit funds in the “employee contribution” component of your individual account.

## Other Contribution Component

If you transfer or roll over funds from another eligible retirement plan, a 403(b) plan, a 457(b) plan, or an IRA, those funds will be credited to the “other contribution” component of your individual account. Done correctly, transfers and rollovers involve no income tax or penalty taxes. Be sure to consult your tax advisor.

Funds you have transferred or rolled over to your individual account, as well as any earnings, are immediately 100% vested.

## Employer Contribution Component

Employer contributions are credited to the “employer contribution” component of your individual account. Once you have 5 years of membership service, you are vested in all employer contributions credited to your individual account, as well as any earnings from those contributions.

You forfeit all employer contributions and any earnings on those contributions if you terminate your PERS covered employment or die **before attaining 5 years of membership service**. Forfeited employer contributions and their earnings will be used to pay administrative expenses.

A full month of membership service is earned for any hours reported to the PERS by a participant's employer during any given month, regardless of the number of hours. One hour reported in a month will result in one month of membership service.

### Remember:

Your employee contributions and other contributions are always vested. Your employer contributions are forfeited if you terminate prior to 5 years of membership service.

## Funds Transferred

You are automatically a participant in the Defined **Benefit** Retirement Plan. You have 12 months from your date of hire to choose whether to remain in the Defined **Benefit** Retirement Plan or transfer to the Defined **Contribution** Retirement Plan. If you choose the Defined **Contribution** Retirement Plan, the following funds will transfer into your individual account.

## Transfers to Employee Contribution Component

- The amount transferred will equal the contributions you have made to the Defined **Benefit** Retirement Plan since you were hired.
- You will receive 8% interest compounded annually on these contributions.

## Transfers to the Employer Contribution Component

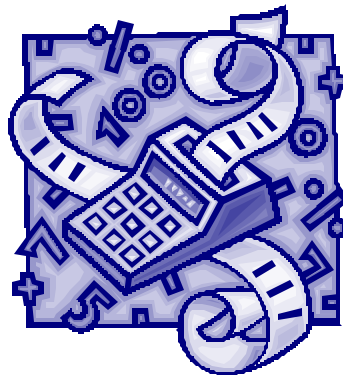
- The amount transferred will equal 4.19% of the contributions your employer has made to the Defined **Benefit** Retirement Plan since you were hired.
- You will also receive 8% interest compounded annually on those contributions.

You will not be guaranteed an 8% return on your funds once they are transferred to your individual account. Transferred funds will automatically be placed in the balanced fund investment option and earn the rate of return of that fund. It is your responsibility to direct your funds from the balanced investment option to any or all of the available investment options. Future earnings will depend on the performance of the investment options you select.

## Plan Examples

Remember, your Defined **Contribution** Retirement Plan specifies the amount that **goes into** your account. Your individual account will grow over time depending on the following:

- Contributions
- Earnings (either positive or negative)
- Length of time invested



### Example 1: Matt

- 40 years of age
- Expects to retire in 20 years at age 60
- \$3,000 monthly compensation  
(remains constant throughout career)
- Matt/Employer contributions equal 11.09% of compensation
- Annual contribution to individual account is approximately \$3,992

Matt's account balance in 20 years will be determined by his annual rate of return. The following table illustrates how different rates of return affect Matt's account balance over 20 years:

<u>Time Invested</u>	<u>Rate of Return</u>	<u>Account Balance</u>
20 years	10%	\$228,642
20 years	8%	\$182,682
20 years	6%	\$146,848
20 years	4%	\$118,874

### Example 2: Peyton

- 25 years of age
- Expects to retire in 30 years at age 55
- \$3,000 monthly compensation  
(remains constant throughout career)
- Peyton/Employer contributions equal 11.09% of compensation
- Annual contribution to individual account is approximately \$3,992

Peyton's account balance in 30 years will be determined by his annual rate of return. The following table illustrates how different rates of return affect Peyton's account balance over 30 years:

<u>Time Invested</u>	<u>Rate of Return</u>	<u>Account Balance</u>
30 years	10%	\$656,660
30 years	8%	\$452,227
30 years	6%	\$315,600
30 years	4%	\$223,891

*Note: See how a greater length of time invested increased Peyton's account balance as compared to Matt's!*

### Example 3: Parker

- Began PERS covered employment at 25 years of age
- Terminated PERS covered employment at age 35 (contributions stopped)
- Contributions remained on account until age 55
- \$3,000 monthly compensation (during 10 year employment)
- Parker/Employer contributions equaled 11.09% of compensation
- Annual contribution to individual account was approximately \$3,992

Parker's account balance after 30 years is determined by his annual rate of return. The following table illustrates how different rates of return affected Parker's account balance over 30 years:

<u>Time Invested</u>	<u>Rate of Return</u>	<u>Account Balance</u>
30 years	10%	\$428,018
30 years	8%	\$269,548
30 years	6%	\$168,750
30 years	4%	\$105,016

*Note: See how Parker's invested account balance continued to grow even without additional contributions!*

## Plan Features

Your Defined **Contribution** Retirement Plan has numerous features. These include:

- **Managing Your Individual Account**
  - o Investment Options
  - o Fees and Charges
- **Payment Options**
- **Death Benefits**
- **Disability Benefits**

## **Managing Your Individual Account**

You will be actively involved in investing and managing your individual account, including the following activities:

### **Investment Options**

- **Choosing Your Investment Options**

You will choose your investment options from among those offered within the plan. You will be able to invest in one, several, or any number of the available investment options. Your investment options range from conservative to aggressive.

Mutual funds in the following asset classes and categories are offered to ensure you can diversify your investments.

Large Cap	Mid Cap	Small Cap
Core		
Value	Value	Value
Blend		Blend
Growth	Growth	Growth
World Stock		Other
Global		Balanced
International		Bond Index
EAFE Index*		
*Europe, Australasia, Far East		

In addition to mutual funds, a stable value/fixed fund is available. The stable value/fixed fund guarantees both principal and a rate of return. Mutual funds do not guarantee either principal or rate of return.

Specific information on the investment options is available from Great West Retirement Services (Great West), the contracted record keeper at:

Key Talk: 1-877-699-4015

Web Site: <http://www.MPERAdcplans.com>

Annually, the Employee Investment Advisory Council (EIAC) and the Public Employees' Retirement Board (the Board) review each investment option to ensure it continues to meet performance standards and criteria in the Board's adopted investment policy statement. The annual review may result in changes in the available investment options. You will be notified of the results from each annual review.

- **Changing Your Investment Options**

There is no limit on the number of times you may change your investment options. Great West will provide specific instructions on how to select new investment options.

- **Reviewing Quarterly Statements**

Great West will provide quarterly individual account statements. Reviewing your quarterly statement on a regular basis is a good habit to develop. Regular reviews will quickly bring you up to date on your investments' performance and allow you to monitor and adjust your investment strategy.

## **Fees and Charges**

You are responsible for two types of fees and charges: **Administrative Costs** and **Investment Management Fees**.

- **Administrative Costs:**

- Record Keeping Administrative Charges**

- Great West charges a fee for their recordkeeping services. This charge is no more than \$73 per year (\$18.25 per quarter). It will be deducted directly from your individual account.

- MPERA Administrative Charges**

- The MPERA charges an asset based fee for their administrative services. This charge is currently 0.75% of your account balance **per year**. It will be deducted quarterly (0.1875% per quarter) from your individual account. The MPERA administrative charges are regularly reviewed by the Board and may change.

- **Investment Management Fees:**

Each investment option charges for its expenses and investment management fees. These charges are deducted before investment returns are credited to your account. All expenses and management fees are shown as "expense ratios" in each investment option's prospectus.



## **Payment Options**

You or your beneficiaries have access to the vested components of your individual account when you:

- Terminate your PERS covered employment
- Retire
- Die

You may take a lump sum or use your account balance to provide periodic payments for your retirement income. Income tax must be paid on any amount you withdraw from your individual account. This is the same tax paid on wages, interest or dividends.

Your beneficiaries will receive any remaining balance in the vested components of your individual account when you die.

- **Lump Sum Payment**

You may take your entire vested account balance as a single payment subject to income tax regulations.

In addition to income tax, a 10% penalty tax applies to lump sum distributions taken from tax deferred accounts prior to age 59 1/2.

- **Periodic Payments**

You have a number of options for periodic payments, including:

- o **Fixed Amount**

The fixed amount option will provide a fixed payment from your account until your account balance is exhausted. You may change your fixed payment amount once per year.

- o **Life Expectancy**

The life expectancy option will provide the largest payment possible calculated to last your expected life. Each year your life expectancy is recalculated and the payment amount adjusted accordingly.

- o **Purchase of Annuity**

Because you will “own” your individual account balance, at retirement you may use it to purchase an annuity from an insurance company.

- **Continued Tax Deferral**

You may also continue to shelter your contributions and earnings from taxation by leaving your money in the Defined **Contribution** Retirement Plan, or by transferring or rolling your money to an Individual Retirement Account (IRA) or other eligible retirement plan.

The Montana Public Employee Retirement Administration encourages you to consult with your tax or financial advisor when choosing your payment option to ensure the option best meets your personal needs.

## **Death Benefits**

The rules regarding death benefits provided to your beneficiary vary depending on whether you die before or after your payments begin, and whether your payments were annuitized. “Annuitized” means that your payments were calculated to exhaust your account balance over your life expectancy.

If you die **after** payments have begun, your beneficiaries will generally receive the balance of your vested account or continuing payments under an annuity contract.

If you die **before** payments have begun, the rules regarding payments differ depending on whether or not your beneficiary was your spouse.

- **Spouse as Beneficiary**

Your spouse may:

- Take lump sum distribution.
- Begin periodic distributions.
- Roll your account balance over to his or her IRA or eligible retirement plan

OR

- Delay distributions until you would have been age 70 1/2, then receive payment over his or her lifetime.

- **Non-Spouse as Beneficiary**

Your non-spouse beneficiary may receive:

- A lump sum payment

If your non-spouse beneficiary wants a lump sum, payment must be made by December 31st of the year following the year of your death.

OR

- Periodic payments

If your non-spouse beneficiary wants periodic payments, the payments must begin by December 31st of the year following the year of your death. The periodic payments must be made over a period no longer than their life expectancy.

**Remember:**

Keep your beneficiary information up to date. You can update your beneficiary information by completing a PERS membership card and submitting it to your payroll clerk. Your payroll clerk must forward the membership card to the MPERA.

## **Your Disability Benefits**

The Defined **Contribution** Retirement Plan has a disability benefit provision. You must apply to the Board to receive disability benefits from the Long Term Disability Trust Fund. The Trust Fund is funded by the 0.30% allocation from employer contributions.

Once the Board determines you are disabled, you must terminate employment before your benefit payments may begin. When you start receiving your disability benefits, you may be subject to on-going medical reviews to document your continued disability status. Subject to these medical reviews, disability payments from the Trust Fund may continue until age 65, at which time payments cease and you may begin to receive distributions from your individual account.

You may choose to access your individual account instead of applying for and receiving a disability benefit.

The best plan for a particular employee depends on personal and financial circumstances. The choice is yours.

If you would like more detailed information regarding your Defined Contribution Retirement Plan you may access the PERS DCRP Plan Document from the MPERA website at <http://www.discoveringmontana.com/doa/perb/perb.htm>